PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park, Rm 201
Helena MT 59620

Board Audit Committee Minutes
Thursday, March 10, 2011
1:00 pm

Committee Members:	Terrance Smith, Chair Timm Twardoski
Excused:	Patrick McKittrick
Staff:	Roxanne Minnehan Barbara Quinn Patty Davis Renae Justice Flora Sebens

I. Roll Call

II. Approval of Audit Committee Minutes
The minutes of the Audit Committee meeting of August 14, 2010 were presented.

Motion: Member Timm Twardoski moved to approve the Audit Committee meeting minutes for August 14, 2010.

Second: Chairman Terrence Smith

No public comment.

Vote: 2/0

III. Public/Member Comment on any subject of interest to the committee not on the agenda.

IV. Internal Audit (Renae)

A. Internal Control Audits
Ms. Justice, Internal Auditor, informed the committee that developing employer audits had taken up much of the first half of the fiscal year. This put her behind on internal control audits; however, since the employer audits were going well, she would be able to catch up on the internal controls by fiscal year end.

B. Employer Audits
Ms. Justice reported completing 51 employer audits. She stated they are going well and have been well received.

She reported that the majority of employer audits being performed were non-contributing employee audits. She added that ERAE has done a good job in identifying NCEs. The findings from audits being conducted were not significant enough to warrant the time and money spent. Ms. Justice will be changing her focus in employer audits toward other areas such as cafeteria plans, working retiree hours, etc.

V. Fiscal Services

A. Legislative Audit Division (LAD) Financial Compliance Audit Report (Barbara Quinn)
Ms. Quinn reviewed the December 2010 LAD report for the two fiscal years ending June 30, 2010. The Board received an unqualified opinion – there were no comments or recommendations.

B. Performance Audit – Analysis of Retirement Benefit Inflation (Patricia Davis)
Ms. Davis reported on the findings of the audit performed by LAD. The auditors found that although salary spiking does occur it happens on a very limited basis. Ms. Davis stated that although we have a manually intensive process, the audit verified that controls are working.

The LAD had 2 recommendations:

1. The Legislature consider revising the compensation used in the benefit calculation; and
2. Electronic data storage of computer records for retirees.

VI. Set meeting schedule.

The next Audit Committee meeting is scheduled for August 11, 2011.

VII. Adjourn

Chairman Terrence Smith adjourned the meeting at 1:35 p.m.